

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name POWDERHORN AREA UTILITY DISTRICT	County GOGEBIC
Audit Date 9/30/04	Opinion Date 1/9/06	Date Accountant Report Submitted to State: 1/12/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) DAVID TRACZYK CPA			
Street Address 327 SILVER STREET	City HURLEY	State WI	ZIP 54534
Accountant Signature <i>David Traczyk, CPA</i>		Date 1/12/06	

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Accountant Signature <i>David Traczyk, CPA</i>		Date 1/12/06	

POWDERHORN AREA UTILITY DISTRICT
IRONWOOD, MICHIGAN
AUDITED FINANCIAL STATEMENTS

Years ended September 30, 2005 and 2004

Table of Contents

	Page
Management's Discussion and Analysis	3
Independent Auditor's Report	7
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to Financial Statements	12
Other Financial Information:	
Schedule of Expenditures of Federal Awards	21
Notes to Schedule of Expenditures of Federal Awards	22
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	23
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	25
Schedule of Findings and Questioned Costs	27
Summary Schedule of Prior Audit Findings	28

POWDERHORN AREA UTILITY DISTRICT
Management Discussion and Analysis
Years ended September 30, 2005 and 2004

This section of the Powderhorn Area Utility District's (the 'District') annual financial reports present our discussion and analysis of the District's financial performance during the years ended September 30, 2005 and 2004. It is to be read in conjunction with the District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB34) Basic Financial Statements – and Managements Discussion and Analysis – For State and Local Governments, as amended and interpreted, and is intended to provide the financial results for the fiscal years ending September 30, 2005 and 2004.

GENERAL INFORMATION

The Powderhorn Area Utility District (District) was formed in December of 2001 by the Charter Township of Ironwood and Bessemer Township as a municipal District to construct a sanitary sewer collection and transmission system in the Powderhorn Ski Resort area. The sewage will be treated at the Bessemer Area Sewer District plant located on Stone Road in Ironwood Township. The two Townships were acting as a result of a Consent Degree issued by the Michigan Department of Environmental Quality to correct the problem of failed on-site septic systems that had out lived their useful lives. The two Townships set up a special assessment district to fund the preliminary expense of system design, administration and debt service until the system connects users and collects fees to support the operations. Since this type of utility is a "user" based system all of the costs associated with the construction, operation and debt service come from charges to the user of the system and not the general public. The project construction bid was awarded in October of 2004 to Snow Country Contracting of Bessemer at a cost of \$5,708,242.52.

The total cost of the project including engineering, construction, inspection, legal fees and contingency is \$7,800,000. Funding for the project consists of a \$1,000,000. grant from the Clean Michigan Initiative Fund, \$385,000 hardship grant from the Michigan State Revolving Fund and the remainder of funding is a 40 year loan from USDA Rural Development. The project engineers are Wilcox Professional Services of Escanaba, MI. Construction began on December 1, 2004 with the cross country transmission main and should be completed by the fall of 2006.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities as of September 30, 2005 and 2004 by \$1,954,604 and \$624,718, respectively.
- The District's investment in capital assets, net of related debt as of September 30, 2005 and 2004 was \$1,401,737 and \$318,981, respectively.
- The District's total revenue for the fiscal year ended September 30, 2005 and 2004, was \$13,398 and \$127, respectively.
- The District's total expenses for the fiscal year ended September 30, 2005 and 2004 was \$22,150 and \$8,240, respectively. The District capitalized interest incurred and paid in the fiscal year ended September 30, 2005 of \$15,661.
- The District's capital contributions (grants) for the fiscal year ended September 30, 2005 and 2004 of \$1,340,910 and \$15,510, respectively.
- The District added \$2,740,887 and \$82,919 to its plant assets during the fiscal years ended September 30, 2005, and 2004 respectively. These were funded primarily by grants and bond proceeds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following financial statements are included in this report:

- Statement of Net Assets – reports the District current financial resources: its cash and other current assets, its current and non-current liabilities and comparing those two elements, the resulting net assets of the District.
- Statement of Revenue, Expenses and Changes in Net Assets – reports the District's various revenue and expenses.
- Statement of Cash Flows – reports sources and uses of cash by operating activities, capital and related financing activities, and investing activities.

ANALYSIS OF FINANCIAL STATEMENTS

Condensed Financial Information

Statement of Net Assets

The following is a condensed statement of net assets with a detailed analysis of the statement below as of September 30,

	2005	2004	Increase (Decrease)
Current Assets:			
Checking / Savings	\$ 510,501	\$ 312,580	\$ 197,921
Other Current Assets	1,869	1,869	-
Total Current Assets	512,370	314,449	197,921
Fixed Assets	3,161,639	421,445	2,740,194
Other Assets	41,922	38	41,884
TOTAL ASSETS	\$ 3,715,931	\$ 735,932	\$ 2,979,999
LIABILITIES & EQUITY			
Current Liabilities:			
Account Payable	\$ 241,972	\$ 102,464	\$ 139,508
Other Current Liabilities	61,250	8,750	52,500
Total Current Liabilities	303,222	111,214	192,008
Other Liabilities	1,458,105	-	1,458,105
Total Liabilities	1,761,327	111,214	1,650,113
Equity	1,954,604	624,718	1,329,886
TOTAL LIABILITIES & EQUITY	\$ 3,715,931	\$ 735,932	\$ 2,979,999
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,401,737	\$ 318,981	\$ 1,082,756
Restricted for debt service	-	-	-
Restricted for capital projects	777	38	739
Unrestricted	552,090	305,699	246,391
Total Net Assets	\$ 1,954,604	\$ 624,718	\$ 1,329,886

The amounts listed as invested in capital assets, net of related debt is derived by taking the cost of fixed assets net of accumulated depreciation, and subtracting liabilities incurred to finance those assets.

Statement of Revenues, Expenses, and changes in Net Assets

The results of operations for the District are reported in the statement of revenues, expenses, and changes in net assets. A summary of the results of operations are as follows for the years ended September 30,

	2005	2004	Increase (Decrease)
Operating Revenues:			
Services	\$ -	\$ -	\$ -
Total Operating Revenue	-	-	-
Operating Expenses	21,095	8,240	12,855
Operating Income (loss)	(21,095)	(8,240)	(12,855)
Other Revenue (Expenses):			
Interest Income	13,398	127	13,271
Amortization	(1,055)	-	(1,055)
Transfers in	297,728	321,879	(24,151)
Transfers out	(300,000)	-	(300,000)
Capital contributions	1,340,910	15,510	1,325,400
Change in Net Assets	1,329,886	329,276	1,000,610
Beginning Net Assets	624,718	295,442	329,276
Ending Net Assets	<u>\$ 1,954,604</u>	<u>\$ 624,718</u>	<u>\$ 1,329,886</u>

Fund Budget Items

The District prepared an annual budget and revises it to account for changes in expenditures as needed.

Capital Assets

At September 30, 2005 and 2004, the District had \$1,401,737 and \$318,981, respectively, invested in capital assets, net of accumulated depreciation. Assets were capitalized at historical cost. The District added \$1,822,620 of plant assets during the years ended September 30, 2005 and 2004, respectively.

Debt

The District has \$1,271,600 of long-term liabilities at September 30, 2005. This amount consists of construction loans with various bonds payable to USDA Rural Development. Detail on the bonds can be found in the notes to the financial statements.

Future Considerations

Continuing efforts are being made to obtain grant and loan financing for developing the District regional sewer system and serve the infrastructure needs of the District members.

Contacting the District

If you have any questions about this report or need additional information, contact the District Administrator at N10338 Mill Street – P.O. Box 445, Ramsay, MI 49959; telephone number 906-667-0465.

DAVID TRACZYK

Certified Public Accountant

327 SILVER STREET
HURLEY, WISCONSIN 54534-1255

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INDEPENDENT AUDITOR'S REPORT

Chairman and Members of the Board
Powderhorn Area Utility District
Ironwood, Michigan

I have audited the accompanying basic financial statements of Powderhorn Area Utility District (the "District"), as of and for the years ended September 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Powderhorn Area Utility District as of September 30, 2005 and 2004, and the results of its operations and the cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards I have also issued my report dated January 9, 2006, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements of Powderhorn Area Utility District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

January 9, 2006

POWDERHORN AREA UTILITY DISTRICT
IRONWOOD, MICHIGAN
September 30,

ASSETS

	<u>2005</u>	<u>2004</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 510,501	\$ 312,580
Prepaid expenses	<u>1,869</u>	<u>1,869</u>
Total current assets	512,370	314,449
NONCURRENT ASSETS		
RESTRICTED ASSETS		
Cash and cash equivalents	<u>777</u>	<u>38</u>
Total restricted assets	777	38
CAPITAL ASSETS		
Property, plant and equipment	3,162,332	421,445
Less accumulated depreciation	<u>(693)</u>	<u>-</u>
Total capital assets	3,161,639	421,445
OTHER ASSETS		
Bond issue costs, net	<u>41,145</u>	<u>-</u>
Total other assets	<u>41,145</u>	<u>-</u>
Total noncurrent assets	<u>3,203,561</u>	<u>421,483</u>
Total assets	<u><u>\$ 3,715,931</u></u>	<u><u>\$ 735,932</u></u>

See accompanying notes to basic financial statements.

POWDERHORN AREA UTILITY DISTRICT
IRONWOOD, MICHIGAN
September 30,

LIABILITIES

	<u>2005</u>	<u>2004</u>
CURRENT LIABILITIES		
Accounts payable	\$ 175	\$ -
Accounts payable - construction	241,020	102,426
Accrued wages	<u>1,250</u>	<u>8,750</u>
Total current liabilities	242,445	111,176
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accounts payable - construction	777	38
Notes and bonds payable	<u>60,000</u>	<u>-</u>
Total current liabilities payable from restricted assets	60,777	38
NONCURRENT LIABILITIES		
Accounts payable - construction	246,505	-
Notes and bonds payable, net	<u>1,211,600</u>	<u>-</u>
Total noncurrent liabilities	<u>1,458,105</u>	<u>-</u>
Total liabilities	<u>1,761,327</u>	<u>111,214</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,401,737	318,981
Restricted for debt service	-	-
Restricted for capital projects	777	38
Unrestricted	<u>552,090</u>	<u>305,699</u>
Total net assets	<u>\$ 1,954,604</u>	<u>\$ 624,718</u>

See accompanying notes to basic financial statements.

POWDERHORN AREA UTILITY DISTRICT
IRONWOOD, MICHIGAN
Years ended September 30,

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Services to member municipalities	<u>\$0</u>	<u>\$0</u>
Total operating revenues	-	-
Operating expenses:		
Administrative wages	12,500	4,583
Fringe benefits	3,366	0
Insurance	2,702	1,623
Professional fees	-	2,000
Office expenses	1,834	34
Depreciation	<u>693</u>	<u>-</u>
Total operating expenses	<u>21,095</u>	<u>8,240</u>
Operating Income (Loss)	(21,095)	(8,240)
Non-operating revenues (expenses):		
Interest income	13,398	127
Amortization of debt expense	<u>(1,055)</u>	<u>-</u>
Total non-operating revenue (expenses)	<u>12,343</u>	<u>127</u>
Net Income Before Transfers and Contributions	(8,752)	(8,113)
Transfers from municipalities	297,728	321,879
Transfers to municipalities	(300,000)	0
Capital contributions	<u>1,340,910</u>	<u>15,510</u>
Change in Net Assets	1,329,886	329,276
Net Assets at Beginning of Year	<u>624,718</u>	<u>295,442</u>
Net Assets at End of Year	<u><u>\$ 1,954,604</u></u>	<u><u>\$ 624,718</u></u>

See accompanying notes to basic financial statements.

POWDERHORN AREA UTILITY DISTRICT
IRONWOOD, MICHIGAN
Years ended September 30,

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$0	\$0
Payments to suppliers	(7,727)	(4,690)
Payments to employees	<u>(20,000)</u>	<u>0</u>
Net Cash Provided (Used) by Operating Activities	(27,727)	(4,690)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(2,339,388)	(20,322)
Receipts from municipalities	297,728	321,879
Payments to municipalities	(300,000)	0
Capital contributions	1,340,910	15,510
Proceeds from bonds payable	1,328,600	0
Principal paid on bonds payable	(57,000)	0
Interest paid on bonds payable	(15,661)	0
Bond issuance costs	<u>(42,200)</u>	<u>0</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	212,989	317,067
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	<u>13,398</u>	<u>127</u>
Net Cash Provided (Used) by Investing Activities	<u>13,398</u>	<u>127</u>
Net Increases (Decrease) in Cash and Cash Equivalents	198,660	312,504
Balances - Beginning of Year	<u>312,618</u>	<u>114</u>
Balances - End of Year	<u><u>\$511,278</u></u>	<u><u>\$312,618</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	(\$21,095)	(\$8,240)
Adjustments to reconcile operating income (loss) to net cash provided (Used) by operating activities:		
Depreciation	693	0
Change in assets and liabilities:		
Prepaid expenses	0	(1,033)
Accounts payable	<u>(7,325)</u>	<u>4,583</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$27,727)</u></u>	<u><u>(\$4,690)</u></u>
Noncash investing, capital and financing activities:		
Construction financed by accounts payable	\$385,838	\$62,597
Capitalized interest accrued on plant construction	0	0

See accompanying notes to basic financial statements.

POWDERHORN AREA UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2005 and 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Powderhorn Area Utility District (the District) was formed on December 11, 2001 as a municipal authority under the provisions of Act 233 of Public Acts of Michigan, 1955, as amended. The municipalities creating the District were the Charter Township of Ironwood, and Bessemer Township, each of the County of Gogebic Michigan. The District was formed for the purpose of acquiring, building, owning, extending, improving, operating, maintaining, repairing, and administering a sewage disposal system and a water supply system.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic – but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing District, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the basic financial statements of the District contain all the funds and account groups controlled by the District's Board as no other entity meets the criteria to be considered a component unit of the District nor is the District a component unit of another entity.

Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America. The District applies all relevant Government Accounting Standards Board (GASB) pronouncements. As enterprise funds, the District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The District has not adopted GASB Statement No. 20.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accrual basis of accounting is used by the District. Under the accrual basis, revenues are recognized when earned and expenses are recorded when incurred. The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statements of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Operating revenues and expenses are distinguished from nonoperating items in the statement of revenues, expenses and changes in net assets. Operating revenues and expenses result from providing services in connection with the District's principal ongoing operations. Principal operating revenues of the District are charges to customers for water use and charges to member municipalities to recover the costs within the individual municipalities. The charges to recover the financing costs are allocated to the member municipalities based on construction cost allocations. Operating expenses include the cost of providing water, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the District are grants and investment income. The principal nonoperating expenses of the District include interest expense.

Capital grant funding represents amounts received from capital project grants which are restricted to capital acquisition or construction. The District recognizes capital grant funding when the grants are earned which is generally when the related capital expenditure is made.

Deposits and Investments

Deposits are carried at cost. Deposits are in several financial institutions in the name of the Local Unit Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; bankers' acceptance of the United States banks; commercial paper rated within the three highest classifications by not less than two standard ratings services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Local Unit's deposits are in accordance with statutory District.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Accounts receivable have been shown net of an allowance for uncollectible accounts. As of September 30, 2005 and 2004, the District did not have any receivables.

The District does not accrue unbilled service at the end of the year with respect to service provided but not billed at such date.

Capital Assets

Capital assets are generally defined by the District as assets with an initial, individual cost of more than \$1,000. Maintenance and repair costs are charged to expense as incurred.

Capital assets are reported at cost or the fair market value at the time of contribution to the District. Major outlays for plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the plant constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated using the straight-line method over the following useful lives:

Source of supply	40 - 100
Pumping	20 - 100
Water treatment	40
Transmission and distribution	50 - 100
General	5 - 40

Bond Issue Costs

Bond issue costs are amortized to expense over the life of the related indebtedness.

Compensated Absences

The District has one employee that receives a salary. There are no accrued vacation or sick leave costs.

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bond's mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE B – CASH AND INVESTMENTS

All deposits were made in a bank authorized by the Board of Directors and under District of State of Michigan deposit laws. Operating cash balances were \$200,501 and 312,580 at September 30, 2005 and 2004, respectively. All deposits were made in financial institutions whose deposits are covered by federal depository insurance. For the purpose of the statement of cash flows, the District considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. Investing is performed in accordance with investment policies complying with state statutes.

Restricted cash consisted of the following:

1. Construction Account, these are checking accounts used to receive loan and grant proceeds to be used solely to pay construction costs:

September 30, 2005	\$	777
September 30, 2006		38

In accordance with GASB Statement No. 3, risk disclosure for bank deposits at September 30, 2005 and 2004 are:

	<u>2005</u>	<u>2004</u>
a. Insured or collateralized with securities held by the entity or by its agent in the entity's name.	\$ 100,000	\$ 100,000
b. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.	-	-
c. Uncollateralized (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.)	<u>434,317</u>	<u>213,542</u>
Subtotal	\$ 534,317	\$ 313,542
Less outstanding checks	<u>(23,039)</u>	<u>(924)</u>
Balance at September 30,	<u><u>\$ 511,278</u></u>	<u><u>\$ 312,618</u></u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE C – CAPITAL ASSETS

A summary of the changes in the District's capital assets for the year ended September 30, is as follows:

	<u>Office Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at September 30, 2003	\$ -	\$ 338,526	\$ 338,526
Additions	<u>-</u>	<u>82,919</u>	<u>82,919</u>
Balance at September 30, 2004	-	421,445	421,445
Additions	<u>3,463</u>	<u>2,737,424</u>	<u>2,740,887</u>
Balance at September 30, 2005	<u>\$ 3,463</u>	<u>\$ 3,158,869</u>	<u>\$ 3,162,332</u>

The office equipment is being depreciated over 5 years using the straight-line method. The construction in progress will be allocated to the various plant components and depreciated upon completion at various lives. Final completion is anticipated in late 2006, at which time the plant will become operational.

NOTE D – CONSTRUCTION IN PROGRESS

The District is approximately 43% complete on the construction of a sewer collection and transmission system. The costs of this project are being financed by a combination of grants and bonds. As of September 30, 2005, grants of \$1,358,976 have been received with \$22,265 of grant funds remaining available. Bonds of \$6,500,000 have been approved with a total of \$1,328,000 being received by September 30, 2005.

NOTE E – DEFERRED LOAN COSTS

Expenses incurred in connection with the issuance of bonds are being amortized over the lives of the related debt as follows:

	<u>Bond Issue Series 2004</u>	<u>Total</u>
Debt issuance costs	\$ 42,200	\$ 42,200
Amortization:		
Beginning balance	-	-
Current year	<u>1,055</u>	<u>1,055</u>
Accumulated balance	<u>1,055</u>	<u>1,055</u>
Ending Balance	<u>\$ 41,145</u>	<u>\$ 41,145</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE F – LONG TERM DEBT

On October 14, 2004, the District issued Sewage Disposal System No. 1 Limited Tax General Obligation Bonds, Series 2004A and 2004B for \$5,598,000 and \$902,000, respectively. They both bear interest @ 4.5%. They were single issue bonds purchased by USDA - Rural Development. At September 30, 2005 the outstanding balances were \$377,600 for the series 2004A bond, and \$894,000 for series 2004B.

These bonds are payable by the District from proceeds of contracted payments to be paid by the member municipalities. Principal payments are due October 1 and interest is due April 1 and October 1 of each year.

A summary of changes in long-term debt for the year ended September 30, 2005 are as follows:

	Balance at September 30, 2004	Additions	Payments	Balance at September 30, 2005
Series 2004A	\$ -	\$ 426,600	\$ 49,000	\$ 377,600
Series 2004B	-	902,000	8,000	894,000
	<u>\$ -</u>	<u>\$ 1,328,600</u>	<u>\$ 57,000</u>	<u>\$ 1,271,600</u>

The annual aggregate maturities for the bonds for years subsequent to September 30, 2005 and 2004, are as follows:

Year ending September 30,	Principal	Interest	Total
2006	\$ 60,000	\$ 172,408	\$ 232,408
2007	63,000	287,235	350,235
2008	66,000	284,400	350,400
2009	69,000	281,430	350,430
2010	72,000	278,325	350,325
2011-2015	414,000	1,339,965	1,753,965
2016-2020	523,000	1,237,410	1,760,410
2021-2025	658,000	1,108,125	1,766,125
2026-2030	832,000	945,135	1,777,135
2031-2035	1,048,000	739,485	1,787,485
2036-2040	1,322,000	480,150	1,802,150
2041-2044	1,316,000	152,370	1,468,370
	<u>\$ 6,443,000</u>	<u>\$ 7,306,438</u>	<u>\$ 13,749,438</u>

The above maturity schedule is based on the assumption the District receives the remaining proceeds of the series 2004A bonds of \$5,171,400 during the fiscal year ending September 30, 2006. It is also based on the projected payment dates in September of each year, for amounts due on October 1.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE G – RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from a commercial insurance company. The District has comprehensive general liability coverage of \$1,000,000 per occurrence and \$3,000,000 in the aggregate and has obtained worker's compensation coverage.

All risk management activities are accounted for in the financial statements of the District. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the District as of September 30, 2005, will not materially affect the financial condition of the District. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE H – COMMITMENTS AND CONTINGENCIES

In the normal course of construction projects, the District receives loan and grant funds from various federal and state agencies. These programs are subject to audit by agents of the lending and granting agencies, the purpose of which is to ensure compliance with conditions precedent to the awarding of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE I – RELATED PARTY TRANSACTIONS

The member municipalities of the District have entered into a financing contract with the District. Under terms of the contract, the member municipalities are responsible to pay the District amounts sufficient to cover the costs of financing the construction. These costs are allocated to the members as follows:

Charter Township of Ironwood	73.2%
Bessemer Township	<u>26.8%</u>
Total	<u><u>100.0%</u></u>

In December of 2003, the member municipalities started to levy a special assessment on property in the District. These funds are to be used to cover costs during the construction period. Future costs are anticipated to be funded by user charges and special assessments.

The District received the following amounts from the member municipalities:

	Charter Township of Ironwood	Bessemer Township	Total
2005	\$ 219,696	\$ 78,032	\$ 297,728
2004	237,110	84,769	321,879

These amounts have been recorded as transfers from the municipalities.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE I – RELATED PARTY TRANSACTIONS (continued)

The District has also paid the following amounts to the member municipalities:

<u>Year ended September 30,</u>	<u>Charter Township of Ironwood</u>	<u>Bessemer Township</u>	<u>Total</u>
2005 (note principal)	\$ 220,000	\$ 80,000	\$ 300,000
2005 (interest)	22,730	6,488	29,218
2005 (legal)	14,000	6,000	20,000

These amounts indicated as paid for note principal has been recorded as transfers to the municipalities. This represents funds originally advanced to the District to pay engineering costs. The municipalities had borrowed the funds and advanced them to the District.

The amounts indicated as interest and legal represent costs paid by the municipalities related to the municipal borrowings. These payments by the District have been capitalized as capital assets.

NOTE J – ECONOMIC DEPENDENCY

The District operates on finances and guarantees provided by the member municipalities. Accordingly, the District is dependent on the continuing support provided by these member municipalities.

OTHER FINANCIAL INFORMATION

POWDERHORN AREA UTILITY DISTRICT
IRONWOOD, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2005

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Program Award Amount	Federal Expenditures
US Department of Agriculture:			
Direct Programs:			
Water and Waste Disposal Systems for Rural Communities:			
Loan Program	10.760	6,500,000	1,328,600
Total Federal Expenditures			<u><u>\$1,328,600</u></u>

POWDERHORN AREA UTILITY DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2005

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal activity of Powderhorn Area Utility District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Expenditures in this schedule are in agreement with the amounts reported in the financial statements.

2. Loans Outstanding – Powderhorn Area Utility District had 2 outstanding bonds as of September 30, 2005. Both are held by the U.S. Department of Agriculture for funding provided for construction projects as follows:

Series 2004A, issued \$5,598,000 with an outstanding balance at September 30, 2005.	\$ 377,600
Series 2004B, issued \$902,000 with an outstanding balance at September 30, 2005.	<u>894,000</u>
Balance at September 30, 2005	<u><u>\$ 1,271,600</u></u>

3. Sub recipients – Of the federal expenditures presented in the schedule, Powderhorn Area Utility District, provided no federal awards to sub recipients.

4. The federal program (U.S. Department of agriculture) was selected as a major program, Type A using the risk-based audit approach and the 50% high-risk auditee coverage rule.

DAVID TRACZYK

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Chairman and Members of the Board
Powderhorn Area Utility District
Ironwood, Michigan

I have audited the financial statements of Powderhorn Area Utility District as of and for the years ended September 30, 2005 and 2004, and have issued my report thereon dated January 9, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Powderhorn Area Utility District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Powderhorn Area Utility District's financial statements are free of material misstatement, I performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

However, I noted other matters involving the internal control over financial reporting I have reported to Management of Powderhorn Area Utility District, in a separate letter dated January 9, 2006.

This report is intended solely for the information and use of management and member municipalities, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 9, 2006

DAVID TRACZYK

Certified Public Accountant

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Chairman and Members of the Board
Powderhorn Area Utility District
Ironwood, Michigan

Compliance

I have audited the compliance of Powderhorn Area Utility District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended September 30, 2005. Powderhorn Area Utility District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Powderhorn Area Utility District's management. My responsibility is to express an opinion on Powderhorn Area Utility District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Powderhorn Area Utility District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Powderhorn Area Utility District's compliance with those requirements.

In my opinion, Powderhorn Area Utility District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2005.

Internal Control over Compliance

The management of Powderhorn Area Utility District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Powderhorn Area Utility District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be a material weaknesses.

This report is intended solely for the information and use of management and member municipalities, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 9, 2006

POWDERHORN AREA UTILITY DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2005

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Powderhorn Area Utility District.
2. There were no reportable conditions disclosed during the audit of the financial statements reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to financial statements of Powderhorn Area Utility District were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal award program reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for Powderhorn Area Utility District expresses an unqualified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major program were the U.S. Department of Agriculture C.F.D.A. Number 10.760.
8. The threshold for distinguishing Type A programs was \$300,000.
9. Powderhorn Area Utility District was determined not to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. Department of Agriculture, CFDA No. 10.760.

None

POWDERHORN AREA UTILITY DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Year ended September 30, 2005

There were no audit findings during the prior year related to federal awards.

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Chairman and Members of the Board
Powderhorn Area Utility District
Ironwood, Michigan

MANAGEMENT LETTER

In planning and performing my audit of the financial statements of Powderhorn Area Utility District for the years ended September 30, 2005 and 2004, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control.

During the course of my audit, certain matters have come to my attention which I feel should be addressed by management. These matters are not considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, they are areas in which management may improve its accounting reporting system.

2005-1 Financial Reporting

Condition and Criteria: The accounting records of the District do not include a general ledger of the accounts.

Effect : This results in the District not having a complete set of financial reports on a regular basis..

Recommendation: I recommend that a general ledger be established and recorded on a monthly basis. I further recommend that financial statements, including a statement of net assets and revenues and expenses, be prepared on a monthly basis.

2005-2 Financial Reporting

Condition and Criteria: The loan resolution adopted by the District states that restricted cash accounts be established for debt retirement (1) repair and replacement (2), and capital improvement (3). These separate bank accounts should have been opened in 2004, and funded quarterly.

Effect: Although the District had sufficient funds available to meet funding requirements as set forth in the loan resolution, the separate accounts did not exist.

Recommendation: I recommend the District establish the separate accounts as outlined.

This letter is intended solely for the information and use of management and member municipalities, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 9, 2006

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.
9. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.
10. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the District is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax on debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
12. There are no--
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d. Reservations or designation of fund equity that were not properly authorized and approved.
13. As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated a competent employee to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
14. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
15. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

16. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
17. The financial statements properly classify all funds and activities.
18. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
19. Provisions for uncollectible receivables have been properly identified and recorded.
20. Deposits and investment securities are properly classified as to risk.
21. Capital assets are properly capitalized, reported, and, if applicable, depreciated. We have reviewed the depreciation schedules (copy attached) and are in agreement with all of the calculations and useful lives.
22. With respect to federal award programs:
 - a. We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
 - b. We have, in accordance with OMB Circular A-133, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contract, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - c. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
 - d. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to reportable conditions, reported in the schedule of findings and questioned costs.
 - e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to each major federal program.
 - f. We have received no requests from a federal agency to audit one or more specific programs as a major program.

- g. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the OMB *Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
- h. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB *Circular A-87, Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- i. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- j. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k. Federal Program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared, and are prepared on a basis consistent with the schedule of expenditures of federal awards.
- l. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable
- m. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included in OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- n. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a corrective action plan for each audit finding.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements of in the schedule of findings and questioned costs.

Signed: _____ Signed: _____

Title: _____ Title: _____